

Executive Summary

1 The Report

Based on the audited accounts of the Government of West Bengal for the year ended March 2017, this Report provides an analytical review of the finances of the State Government. The Report has three Chapters:

Chapter 1 is based on the Finance Accounts and makes an assessment of the Government's fiscal position as on 31 March 2017. It broadly presents and analyses the State Government's resources and their applications.

Chapter 2 is based on audit of Appropriation Accounts and reviews the allocative priorities of the State Government and the manner in which the allocated resources were managed by various Departments.

Chapter 3 gives an overview and status of the State Government's compliance with various financial rules, procedures and directives during 2016-17.

The Report has 28 appendices containing additional data collated from several sources in support of the findings.

2 Audit findings

2.1 Finances of the State Government

Capital Expenditure (₹ 11,336 crore) was less than the Budget Estimates (₹ 19,190 crore). Its ratio to total expenditure stood at 7.74 *per cent*, which was much lower than the combined average (19.70 *per cent*) of General Category States.

Devolution to the State was enhanced to the tune of ₹ 7,461 crore in 2016-17 on the basis of recommendation of 14th Finance Commission. This however led to increase in revenue expenditure and not to capital expenditure.

The Government earned a meagre return of ₹ 1 crore in 2016-17 on its investment of ₹ 14,015 crore in various Corporations / Companies. The average rate of return on investment was negligible at 0.01 *per cent* during 2016-17.

The maturity profile of the State debt as on 31 March 2017 indicated that State would have to repay more than 50 *per cent* of debt within next seven years, which might put strain on the Government budget during that period.

The ratio of debt repayment to Tax Revenue increased from 0.21 in 2015-16 to 0.24 in 2016-17.

The State Government in its Medium Term Fiscal Policy (MTFP) targeted to reduce revenue deficit to 0.96 *per cent* of Gross State Domestic Product (GSDP), which had not been achieved. However, the fiscal deficit (₹ 25,386 crore) at 2.03 *per cent* of GSDP was within the prescribed limit of 14th Finance Commission.

Revenue Expenditure had a predominant share which was 91 *per cent* of Total Expenditure in 2016-17. Revenue Expenditure increased by ₹ 15,091 crore during 2016-17 over the previous year.

The State of West Bengal is yet to amend its Fiscal Responsibility and Budgetary Management (FRBM) Act as per the recommendation of the 14th Finance Commission.

(Chapter - 1)

2.2 Financial Management and Budgetary Control

There were instances of excess expenditure or substantial savings with reference to provisions made during the year, exhibiting weakness in expenditure monitoring and control. Both situations are breaches of financial control.

The overall savings of ₹ 50,416 crore (26 *per cent* of budget provision) were the result of savings of ₹ 52,999 crore partially *offset* by an excess of ₹ 2,583 crore under various sections (Voted/Charged).

Excess expenditure for the years 2009 to 2017 amounting to ₹ 24,075 crore is yet to be regularised. The cases of excess expenditure over grants are serious matter and are in violation of the will of the Legislature. It is important that responsibility is fixed in this regard to discourage this practice.

Supplementary provision aggregating ₹ 5,124 crore in 34 cases (₹ 1 crore or more in each case) during the year proved unnecessary. The actual expenditure did not come up to the level of original provision.

Deficiencies in surrenders, excessive / insufficient re-appropriation of funds, rush of expenditure at the end of the financial year were also observed.

(Chapter - 2)

2.3 Financial Reporting

Audit observed various instances of non-observance of financial rules and procedures and absence of financial controls.

During 2016-17, State Government had borrowed ₹ 34,431 crore as market loans, ₹ 1,367 crore from financial institutions and ₹ 519 crore from Government of India. However, as on 31 March 2017, ₹ 5,140 crore was parked in Personal Deposit Accounts.

Paying interest at higher rates (between 6.88 *per cent* and 8.09 *per cent*) on market loans while keeping huge amounts in Personal Deposit Accounts showed poor cash and financial management by the State Government.

Failure in submission of Detailed Contingent bills led to accumulation of unadjusted Abstract Contingent bills. ₹ 2,357 crore drawn through 11,005 AC bills remained unadjusted as of March 2017. In absence of Detailed Contingent bills, it is not possible to ascertain whether expenditure has taken place or not. Non-adjustment of Abstract Contingent bills was fraught with the risk of embezzlement and corruption.

Utilisation certificates were not submitted within prescribed time limit indicating lack of effective controls besides raising apprehensions about proper use of funds.

Some autonomous bodies failed to adhere to the timelines for submitting annual accounts. Eight District Legal Services Authorities did not submit accounts since inception in 1998-99.

The omnibus Minor Head '800' continued to be operated for recording expenditure/receipts relating to several items affecting the transparency in financial reporting.

Out of 67 departments, 10 departments did not reconcile the expenditure/receipt figures with those recorded in the books of the Accountant General (A&E) for the year 2016-17.

(Chapter - 3)